

SENATE BILL 3370  
By Herron

AN ACT to amend Tennessee Code Annotated, Title 23  
and Title 47, relative to litigation financing.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Title 47, Chapter 18, is amended by inserting sections 2 through 6 below as a new, appropriately designated part thereto.

SECTION 2. As used in this part, unless the context otherwise requires:

(1) "Litigation loan" means a loan of funds of any amount that is secured by a lien on the outcome of litigation, regardless of the intended or actual use of the loan proceeds; and

(2) "Litigation loan provider" means any person providing a litigation loan to any other person.

SECTION 3. The maximum effective rate of interest for litigation loans is hereby set at an amount equal to twenty percent (20%) per annum.

SECTION 4. A litigation loan provider is prohibited from providing any payment, kickback, incentive, or other compensation of any type, including gifts or other non-monetary compensation, to any attorney or association of attorneys representing any party to a litigation that is the subject of a lien securing a litigation loan.

SECTION 5. Nothing in this part shall be construed as allowing an attorney to provide a litigation loan to any client.

SECTION 6. A violation of this part is a Class A misdemeanor.

SECTION 7. This act shall take effect July 1, 2006, the public welfare requiring it.